

# **Office of Thrift Supervision Mutual Savings Association Advisory Committee**

## **Membership Balance Plan**

Pursuant to 41 C.F.R. § 102-3.30(c) and 41 C.F.R. § 102-3.60(b)(3), this Membership Balance Plan for the Mutual Savings Association Advisory Committee (MSAAC) of the Office of Thrift Supervision (OTS) is being provided as part of the charter renewal plan and describes how OTS intends to maintain a fairly balanced membership for the MSAAC.

- (1) Name. The Office of Thrift Supervision Mutual Savings Association Advisory Committee.
- (2) Authority. The MSAAC's charter has been prepared and filed in accordance with the provisions of the Federal Advisory Committee Act (FACA), 5 U.S.C. App. 2.
- (3) Mission/Function. The MSAAC's purpose is to provide advice and recommendations to the Department of Treasury, OTS, on meeting the goals of the Home Owners' Loan Act, 12 U.S.C. § 1461 *et seq.* The MSAAC advises the OTS with regard to mutual associations on a means to provide for the organization, incorporation, examination, operation and regulation of mutual associations. The work of the MSAAC includes a regular assessment of the current condition of the mutual savings association segment of the insured depository institution industry. The MSAAC provides advice about what regulatory or other changes OTS may be able to make to ensure the continued health and viability of mutual savings associations. The MSAAC also advises the OTS on other issues of concern to existing mutual savings associations.
- (4) Points of View.
  - (a) Subject Matter/Technical Expertise. The subject matter or technical expertise that is necessary to accomplish the tasks of the MSAAC includes an understanding of the organization and operations of mutual savings associations in particular, and insured depository institutions generally. Expertise and familiarity with the unique corporate governance and financial operations of mutual associations is critical for the MSAAC's members. Experience as a senior management official of a mutual institution is important in obtaining this subject matter and technical expertise.
  - (b) Areas of Expertise. The members of the MSAAC should represent mutual savings associations of varying sizes and types of operations. Each member should represent a different segment of the mutual association industry.
  - (c) Service as Representative Members. Representative members of advisory committees are specifically appointed to provide the committee with the points of view of nongovernmental entities or a recognizable group of persons who have interests in the subject matter under the committee's charge. In contrast, committee members

who are designated as Special Government Employees (SGEs) are appointed to exercise their own individual best judgment on behalf of the Government.

It was determined when the MSAAC was established that a committee composed of representative members would best serve OTS's purposes in that it would supplement OTS's concerns as a regulator with the views and experiences of individuals actually working within the mutual savings association industry. This is because such representative individuals have an understanding of the organization of mutual savings associations, as well as expertise and familiarity with the unique corporate governance and financial operations of mutual associations.

The factors to be considered in making an employment status determination for advisory committee members include the express language of the advisory committee's enabling documents; whether the prospective committee member will receive compensation other than travel expenses for his or her services on the committee; whether the prospective committee member was selected through an appointment process that used outside recommendations; whether the prospective committee member will act as a spokesperson for a recognizable nongovernmental group or stakeholder; and whether the prospective committee member will be supervised by a Federal government employee. After analyzing these factors, OTS's Ethics Counsel, Elizabeth Helke, determined that each of the current members of the MSAAC is a Representative member rather than an SGE. Any new members will be reviewed using the same standard that was used for the current members.

- (5) Other Balance Factors. The other balance factors that OTS identified as important for the MSAAC's membership include geographic diversity, diversity in institution size, and the diversity in the specific type of charter among the alternatives available to mutual associations.
- (6) Candidate Identification Process.
  - (a) Cross-section. OTS solicited nominations for the MSAAC by placing a notice in the *Federal Register*, contacting national and state banking groups, and contacting other groups interested in the continued operations of mutual savings associations. In response to this solicitation, OTS received about 50 names from all sources. The majority of those were senior officers of mutual institutions. We also received nominations for four attorneys who practice in the financial services field, one investment banker, one academic, one state banking association executive and one activist investor. In developing the slate of nominees, OTS sought geographic diversity. The twelve names ultimately submitted were all from different states and represented regional diversity. OTS also sought diversity in operating and business strategies and has included senior management from institutions that represent a variety of strategies ranging from the more traditional community lender to institutions that provide more complex product offerings. The group's members also represent diversity of charter type, within the options available to mutual institutions, including several mutual

holding companies, representing those that have issued minority stock and those that have not. Finally, OTS sought to ensure that the composition of the committee in terms of association size mirrored the size diversity of the industry as a whole. Of the mutual savings associations that OTS supervises, over half hold less than \$300 million in assets. Accordingly, seven of the committee members are senior officers from mutual institutions with under \$300 million in assets and the remaining members are divided between medium-sized and larger institutions.

Finally, in reviewing the names submitted through the nomination process, OTS looked for individuals who have experience in operating mutual associations in different economic circumstances and who understand the needs of the communities being served.

(b) Agency staff involved. The review process for the current members of the MSAAC was performed by senior OTS officials including, John Bowman (then Chief Counsel), Scott Polakoff (then Senior Deputy Director) and Charlotte Bahin, Designated Federal Officer. In addition, staff from OTS's Regional Offices were consulted to ensure that the agency selected the best candidates from among the available pool. Future selections of MSAAC members will be made by senior management officials in Washington and the regional offices.

(c) Vacancies. Vacancies will be filled as promptly as possible, using a process to match as closely as possible the balance and diversity characteristics of the departing member.

(d) Term limits. Each member is appointed for a term of two years.

(7) Subcommittee Balance. At this time the MSAAC has no subcommittees; however, should a subcommittee be formed, its membership will be selected with the same process as used for the MSAAC itself.

(8) Other. The OTS will take whatever other steps are necessary to ensure a balanced membership on the MSAAC.

(9) Date Prepared. This Membership Balance Plan was initially prepared on October 15, 2010.